

**CLS Mortgage, Inc.  
920 N. Argonne  
Spokane, WA 99212**

**Ph# 509-928-6545**

**Fax# 509-928-6768**

5/4/11

To: Tim Donahue, Primary Representative for Kentuckiana Medical Center LLC / Kentuckiana Medical Center Real Estate Investors, LLC

Re: Letter of Intent:

This letter of intent is subject to the following:

1. Gross Loan Amount Approximately \$11,000,000 including fees and reserves.
2. Evidence of the ability to gain fee simple title to the property in question. Security will include all tangible property used in conjunction with, or necessary for, the operation of the Property.
3. Legal review and opinion(s) as it relates to this transaction and lending laws and regulations.
4. Satisfactory valuation of collateral property resulting in an LTV not to exceed 35% as represented by borrower.
5. Complete loan approval from Senior Loan Committee after completion of due diligence including but not limited to review of a current and acceptable appraisal, review of all financial data on borrower, on the operation, and on all guarantors including tax returns, financial statement and review of anything else deemed necessary by CLS to complete the process which may or not be known at this time. (See exhibit A).
6. Borrower's to provide \$1.76 million in cash reserves as part of the loan agreement to be held by CLS and/or its affiliates for interest reserves for the life of the loan.

The loan shall be evidenced by a Promissory Note, a Deed of Trust, an Assignment of Leases and other security and credit instruments and loan documents required by CLS Mortgage, Inc. Guaranty of repayment of the Note shall be evidenced by guaranties in form and substance acceptable to CLS Mortgage, Inc.

Prior to closing the loan, all taxes and assessments affecting the Property shall have been paid and discharged whether or not payable in installments or constituting a lien against the property.

The loan will be made in reliance upon statements and representations contained in your Loan Application and in financial statements and other documentation submitted to CLS Mortgage, Inc. by you and any guarantors. You represent and warrant to CLS Mortgage, Inc. that all such statements and representations are true in all material respects. At the closing of the Loan your credit and all other aspects of the transaction shall be as represented to us without material adverse change from the time of application for the Loan.

The subject LOI is to be utilized as the framework to complete the due diligence of the subject funding request and is not a commitment to lend. A commitment to lend can only be issued after the finalization of all due diligence.

CLS Mortgage, Inc. shall be under no obligation to close the Loan if at the time of closing, facts exist or an event has occurred which would then (or upon the passage of time or lapse of grace period) constitute default under the Loan Application. This is not a commitment to lend; it is a letter of intent which constitutes an agreement to continue with the due diligence of the subject request and provides a framework to continue the process.

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At the date of closing, no part of the Property shall have been taken in condemnation or other proceedings nor shall any such proceedings be pending. In addition, no part of the improvements shall have been destroyed or damaged in any manner.

You and CLS Mortgage, Inc. agree that time is of the essence and that all obligations hereunder shall be timely performed on the dates on which complete performance is specified according to the provisions of the Loan Application.

An original executed counterpart (initialed by you on each page and signed in the space provided below) must be received by CLS Mortgage Inc.


Borrower(s) shall pay any and all brokerage commissions, if any, in connection with the Loan. Borrower(s) shall pay, defend, indemnify and hold harmless from and against all costs, losses, expenses and damages incurred by CLS Mortgage, Inc., directly or indirectly, including, without limitation, reasonable attorney's fees and disbursements, arising out of any claims asserted by broker for brokers' fees and commissions in connection with the negotiation, execution and consummation (if it occurs) of the Loan. This indemnity shall survive indefinitely regardless of whether or not the loan closes.

The loan will be full recourse and may include participation by lender. Monthly reserves may be required for interest, taxes, insurance and possibly for replacement reserves.

A non-refundable due diligence deposit of \$5,000 will be required with a signed copy of this agreement. All third party expenses (appraisals, BPO's, Fed Ex, etc..) will be the responsibility of the borrower and the borrower agrees to pay those expenses in advance. A fully executed copy of this agreement along with deposit is due prior to 5/15/2011.

If you have any question please do not hesitate to call. (See exhibit "A")

Sincerely,

  
Jeff Bell  
President  
CLS Mortgage, Inc.

Borrower: By \_\_\_\_\_

By \_\_\_\_\_

Guarantor(s): By \_\_\_\_\_

By \_\_\_\_\_

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**\*Exhibit A**

**Max Loan Amount:** \$11,000,000 (Can be increased based on values)

**Interest Rate:** 18%

**Subordinate Debt:** Yes, anticipated to total approx. \$20 million, subject to court approval and verification.

**Term/Amortization:** 36 months Interest Only with 24 month lockout on payoff.

**Origination Fees:** 5%.

**Broker Fee:** TBD (Broker fee agreement required)

**Exit Fee:** None.

**Funding Fee:** 1%

**Escrow Set Up:** \$500 Payable at closing

**Payment:** Monthly

**Security:** 1<sup>st</sup> TD property known as the Kentuckiana Medical Center located in Clarksville, Indiana.

**Reserves:** Borrowers and/or guarantors to provide \$1.76 million in reserves for interest.

**Borrower:** Kentuckiana Medical Center Real Estate Investors, LLC

**Guarantor:** Kentuckiana Medical Center, LLC

**Personal Guarantor(s):** Chris Stavens, Eli Hallal, Jeff Campbell, George Alcorn, Denis Raleigh, Mio Stikovak, John Rumisek, Julio Melo, Robert Karman, Charles Oates, Eugene Giles, Jr., Lawrence Rouben, John McConnell, Sean Glisson, Renato Larocca, Alex Digenis, Samer Hussein, David Berry, Thomas Eckert, John Haetgan, Brian Thornton, Abdul Burdi, S. Razza Kaqhi, David Britt, Amy Henderson, Brian Paradowski, Keith Carter, Leslie Strouse Mattingly, Zaka Rahman, A. Sharma, M. Chamberlin, W. Shaikun, and Zaka Kahn.

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**Initial Items Need To Continue Loan Process:**

1. Written order from Court allowing the subject loan in 1<sup>st</sup> TD position and all other debt subordinated to subject loan.
2. 2008, 2009 tax returns on all guarantors ( 2010 if available or extension filings)
3. LLC tax returns for past three years and current financial statement.
4. Exit Strategy in writing from borrower.
5. Copies of court documents on Bankruptcy filing
6. Operating statements, rent rolls and required explanations.
7. Property history
8. Property valuation (current, if available)
9. Verification of personal assets (bank statements on borrower and all guarantors)
10. Notification of any environmental hazards on collateral property.